

AMENDING FURTHER REPUBLIC ACT NUMBERED SEVEN HUNDRED TWENTY, OTHERWISE KNOWN AS THE RURAL BANKS ACT

PRESIDENTIAL DECREE NO. 1403, June 06, 1978

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WHEREAS, the expansion of the rural economy must be promoted by providing the means of facilitating and improving the productive capacities of the people of the rural communities; and

WHEREAS, the law should adapt to changing conditions in order to attain its objectives and to better serve the credit requirements of small farmers, small merchants, small business enterprises, essential rural enterprises or industries and cooperatives.

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby order and decree the amendment of Republic Act No. 720, as amended, as follows:

SECTION 1. Section 5 of Republic Act No. 720, as amended, is hereby amended to read as follows:

"SEC. 5. Loans or advances extended by Rural Banks organized and operated under this Act, shall be primarily for the purpose of meeting the normal credit needs of any small farmer or farm family owning or cultivating, in the aggregate, not more than fifty hectares of land dedicated to agricultural production as well as the normal credit needs of cooperatives and small merchants. For the purposes of this Act, a small merchant shall be one whose capital investment does not exceed one hundred thousand pesos or such amount as the monetary board may prescribe as may be warranted by prevailing economic conditions. In the granting of loans, the Rural Bank shall give preference to the application of farmers and merchants whose cash requirements are small.

Loans may be granted by Rural Banks on the security of lands without Torrens titles where the owner of private property can show five years or more of peaceful, continuous and uninterrupted possession in concept of owner; or of portions of friar land estates or other lands administered by the Bureau of Lands that are covered by sales contracts and the purchasers have paid at least five years installment thereon, without the necessity of prior approval and consent by the Director of Lands; or of portions of other estates under the administration of the (Land Authority) Department of Agrarian Reform or other governmental agency which are likewise covered by sales contracts and the purchasers have paid at least five (5) years installment thereon, without the necessity of prior approval and consent of the Department of Agrarian Reform or corresponding governmental agency; or of homesteads or free patent lands pending the issuance of titles but already approved, the provisions of any law or regulations to the contrary notwithstanding: Provided, That when the corresponding titles are issued the same shall be delivered to the register of deeds of the province where such lands are situated for the annotation of the encumbrance: Provided, further, That in the case of lands pending homestead or free patent titles, copies of notices for the presentation of the final proof shall also be furnished the creditor rural bank and, if the borrower-applicant fail to present the final proof within thirty (30) days from date of notice, the creditor rural bank may do so for them at their expense: Provided, furthermore, That the applicant for homestead or free patent has already made improvements on the land and the loan applied for is to be used for further development of the same or for other productive economic activities; Provided, finally, That the appraisal and verification of the status of a land is the full responsibility of the rural bank and any loan granted on any land which shall be found later to be within the forest zone shall be for the sole account of the

rural bank to the exclusion of the Central Bank counterpart.

The foreclosure of mortgages covering loans granted by rural banks shall be exempt from the publication in newspapers now required by law where the total amount of loan, including interests due and unpaid, does not exceed Ten thousand pesos (P10,000.00) or such amount as the Monetary Board may prescribe as may be warranted by prevailing economic conditions. It shall be sufficient publication in such cases if the notices of foreclosure are posted in at least three of the most conspicuous public places in the municipality and barrio where the land mortgaged is situated during the period of sixty days immediately preceding the public auction. Proof of publication as required herein shall be accomplished by affidavit of the sheriff or officer conducting the foreclosure sale and shall be attached with the records of the case: Provided, That when a homestead or free patent land is foreclosed, the homesteader or free patent holder, as well as his heirs shall have the right to redeem the same within two years from the date of foreclosure in the case of land not covered by a Torrens Title or two years from the date of the registration of the foreclosure in the case of land covered by a Torrens Title: Provided, finally, That in the case of borrowers who are mere tenants, the produce corresponding to their share may be accepted as security.

SEC. 2. Section 6 of the same Act, as amended, is hereby amended to read as follows:

"SEC. 6. With the view to insuring balanced rural economic growth and expansion, Rural Banks may, within limits and conditions fixed by the Monetary Board, devote a portion of their loanable funds to meeting the normal credit needs of small business enterprises whose capital investment does not exceed One hundred thousand pesos, or such amount as the Monetary Board may prescribe as may be warranted by prevailing economic conditions, and of essential enterprises or industries, other than those which are strictly agricultural in nature."

SEC. 3. Section 16 of the same Act, as amended, is hereby amended to read as follows:

"SEC. 16. Any city or municipal judge, in his capacity as notary public ex-officio shall administer the oath to or acknowledge the instruments of any Rural Bank and its borrowers or mortgagors, free from all charges, fees and documentary stamp tax, collectible under existing laws, relative to any loan or transaction not exceeding Ten thousand pesos, or such amount as the Secretary of Finance, upon the recommendation of the Monetary Board, may prescribe as may be necessary to promote and expand the rural economy."

SEC. 4. Section 17 of the same Act, as amended, is hereby amended to read as follows:

"SEC. 17. Any Register of Deeds shall accept from any Rural Bank and its borrowers or mortgagors for registration, free from all charges, fees and documentary stamp tax, collectible under existing laws, any instrument, whether voluntary or involuntary, relating to loans or transactions extended by a Rural Bank in an amount not exceeding Ten thousand pesos: Provided, however, That charges, if any, shall only be collectible on the amount in excess of Ten thousand pesos; and that in instruments related to assignments of several mortgages consolidated in a single deed, charges or fees, if any, shall be levied only on the amount in excess of Ten thousand pesos of the consideration in the assignment of each mortgage, or such amount as the Secretary Board, may prescribe as may be necessary to promote and expand the rural economy."

SEC. 5. This Decree shall take effect immediately.

Done in the City of Manila, this 6th day of June, in the year of Our Lord, nineteen hundred and seventy-eight.

(Sgd.) FERDINAND E. MARCOS
President of the Philippines

By the President:

(Sgd.) JACOBO C. CLAVE

Presidential Executive Assistant

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